GOLDEN DESTINY

SHIPBROKERS - SHIP VALUATORS - SHIPPING CONSULTANTS - MARINE INSURANCE

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 30th September 2011 (Week 39, Report No: 39/11)

(Given in good faith but without guarantee)

The week ended with the highest level of activity being recorded in the secondhand demolition market with just two new building deals emerging.

The week closed with 35 transactions reported worldwide in the secondhand and demolition market, posting a 25% increase from a similar week in 2010 when 28 transactions had been reported and secondhand ship purchasing activity was 34.2% lower than the ordering business.

SECONDHAND MARKET

The secondhand ship purchasing momentum seems stronger for dry than wet tonnage with bulk carriers being at the forefront following the recent positive upturn of the segment. Earlier signs for a firmer buying activity in the container market have not been so strong this week as the market didn't witness similar levels of buying interest. In the wet side, the buying activity tends towards to small chemical / product tankers, less than 10,000 dwt, or handysize and MR/ handymax units between 30,000-50,000 dwt, whereas investors' interest for crude carriers, from 80,000dwt and over, is subdued under the current market fundamentals. The pessimistic outlook in the crude freight markets do not seem to support new acquisitions, while asset values are in downward trend given that spot freight rates continue to float below operating expenses.

The week ended with firm activity in the bulk carrier segment by holding 47 % of this week's total volume of reported secondhand transactions. Overall, 17 vessels reported to have changed hands this week at a total invested capital in the region of US$ 394.45 million, two transactions reported at an undisclosed sale price. In terms of the reported number of transactions, the S&P activity is down by 22.7% from last week's activity and down by 26% comparable with previous year's weekly S&P activity when 23 vessels induced buyers' interest with bulk carriers and containers grasping 69.5% share of the total volume of S&P activity. In terms of invested capital, the gas tanker sector attracted most of the invested capital, 55.11% of the total amount invested since the investments on this sector are at much higher levels, while bulk carriers followed grasping 31.88% of the total invested capital.

NEWBUILDING MARKET

Following the new building spree of previous week, this week ended with an order of just two aframax tankers ordered by ExxonMobil. The vessels will be built in America, which explains the price tag (it has been commented that the price the vessels have been ordered for is three times higher) comparable to what similar tankers would cost in non US market. The letter of intent for the Exxonmobil order was first disclosed in July. As IHS Fairplay reports, the contract signing is significant because the ships will be the first crude tankers built in America in half a decade. The last time the US yard built crude tankers was the four 185,000dwt BP ships order at San Diego's NASSCO, which were delivered in 2004-2006 for the Alaska -US west coast trade.

In general, the new building trends are still favoring the LNG and offshore investments, while there is still new building interest for post panamax container ships. Some rumors circulated this week for a Greek player, Alpha Tankers & Freighters, converting orders for two capesize bulk carrier units into a first LNG carrier of about 160,000 cu/m for delivery in April 2015, with an option for one more unit. In the main sectors, bulk carriers and tankers, smaller size units seem to be more flexible new building types of investment under the current market status. At similar week in 2010, when 35 fresh orders had been reported, the new building momentum was intense for bulk carriers and tankers by grasping equally the 45.7% share respectively of the total ordering activity, whereas no fresh activity had been reported in the LNG and container segments.

DEMOLITION MARKET

In the demolition market, the momentum remains positive towards more scrapping activity till the end of the year with scrap prices being still at firm levels, whereas some signs of downward revision have been witnessed during the last days. India is now paying \$505/ldt for dry and \$525/ldt for wet cargo, while Bangladesh ship recycling industry is in uncertainty with deadline extension approaching to an end on October 12th. Despite there is some optimism from Bangladesh that yards will remain open after the end of the extension, a recent death at a domestic scrap yard threatens the future of the industry. In the Indian subcontinent region, the price gap between Pakistan and India has now narrowed and Gadani scrap buyers seem to be more aggressive to pick up new scrapping tonnage. In China, even though a dropdown has been noticed this week in the scrap prices offered for the dry cargo, down by $15/ldt, there are some owners that managed to conclude deals at levels xs $450/ldt.

The week ended with18 vessels reported to have been headed to the scrap yards of total deadweight 1,077,730 tons. In terms of the reported number of transactions, the demolition activity is down by just 5% from last week's levels, while there has been a 35.8% decrease in terms of the total deadweight sent for scrap. At a similar week in 2010, demolition activity was standing at 72.2% lower levels than current week levels, in terms of the reported number of transactions, when 5 vessels had been reported for scrap of total deadweight 115,620 tons with 2 tanker units and 1 bulk carrier heading to the scrap yards. India and Pakistan were offering $410 -$435/ldt for dry/general cargo and $440-$465/ldt for wet cargo, while Bangladesh market was inactive.

GREEK PRESENCE

The greek presence was noticed this week only in the secondhand market with an invested capital of $209.55 mil. The acquisitions that took place were one in the supramax bulkcarrier sector for a 56,000dwt, 6 year old vessel reported sold at region $ 24.55mil and one in the LNG sector of a 77,351 dwt, 7 year old vessel, that is rumoured to be acquired by mr. Economou.

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